Friday, December 1, 2000
MSG 2000-094

MEMORANDUM FOR: Human Resources Directors

FROM: Henry romero Associate Director for Workplace Compensation and Performance

Subject: Draft Salary Tables and Locality Pay Area Definitions for January 2001

This memorandum provides **draft** 2001 annual salary tables for the General Schedule (GS)—including draft locality pay tables for each of the 32 GS locality pay areas and for law enforcement officers in each of those areas—and draft special rate tables for certain information technology (IT) workers. The rates of pay shown in these draft salary tables will not be official until the President issues an Executive order later this year to implement the 2001 pay increase, but these rates may be used by agencies for payroll planning purposes. When the President issues his Executive order, we will issue the official salary tables for GS employees, Executive Schedule officials, the Senior Executive Service, employees in senior-level and scientific or professional positions, administrative law judges, and Contract Appeals Board members.

General Schedule Basic and Locality Rates of Pay

In January 2001, the GS rates of basic pay will increase by an across-the-board amount of 2.7 percent under 5 U.S.C. 5303. On November 30, the President transmitted to Congress an alternative plan for GS locality-based comparability payments in January 2001 (attachment 1). In his alternative plan, the President authorized an overall average increase in the current GS locality rates equal to approximately 1 percent of the GS payroll. The combined effect of these two pay adjustments produces an overall average pay increase of about 3.7 percent for most GS employees. Attachment 2 shows the locality pay percentage authorized for January 2001 and the net pay increase (including the 2.7 percent across-the-board pay increase) for GS employees in each locality pay area.

The draft 2001 General Schedule and draft 2001 locality pay tables for the 32 locality pay areas are available on the Office of Personnel Management's (OPM's) web site at opm.gov/oca/payrates/index.htm. These new rates of pay will become effective on the first day of the first applicable pay period beginning on or after January 1, 2001.

Locality Pay Area Definitions

The President's Pay Agent (the Secretary of Labor and the Directors of the Office of Management and Budget and OPM) have authorized 32 locality pay areas for 2001, including the "Rest of U.S." locality pay area. Based on recommendations of the Federal Salary Council, the Pay Agent approved new "areas of application" for the San Francisco and Boston locality pay areas in 2001. Monterey County, CA, will be included in the San Francisco locality pay area, and the State of Rhode Island will be included in the Boston locality pay area. In addition, the Pay Agent has determined that certain portions of Bristol County, MA (known collectively as the Attleboro-Fall River area), also should be added to the Boston locality pay area, so that all of Bristol County will be included in that area.

The new locality pay area definitions will become effective on the first day of the first applicable pay period beginning on or after January 1, 2001. Final regulations making the changes described above will be published in the Federal Register shortly and will be posted on OPM's web site as soon as possible thereafter. OPM also will post a comprehensive list of locality pay area definitions on the web site at the same time.

Basic and Locality Rates of Pay for Law Enforcement Officers (LEOs)

The draft special salary rate table for LEOs (Table No. 491) and draft LEO locality pay tables for each of the 32 locality pay areas are available on OPM's web site at opm.gov/oca/payrates/index.htm. The new LEO pay rates will become effective on the first day of the first applicable pay period beginning on or after January 1, 2001.

These LEO pay tables incorporate the statutory Governmentwide law enforcement special rates for grades GS-3 through GS-10, which are used as the basis for computing any locality or other geographic payment. While LEOs are entitled to the same locality pay percentages that apply to other GS employees, special LEO geographic pay adjustments of 16 percent continue to apply to LEOs in three metropolitan areas: New York, Los Angeles, and Boston. (Note: The locality pay percentage for San Francisco in 2001 (16.98 percent) is higher than the special LEO geographic pay adjustment of 16 percent. Therefore, LEOs in the San Francisco locality pay area—including those in Monterey County, CA—will receive the higher locality pay percentage.)

Because the State of Rhode Island and part of Bristol County, MA, will be included as areas of application to the Boston-Worcester-Lawrence, MA-NH-ME-CT-RI locality pay area in January 2001, we will issue two separate locality pay tables for LEOs in the Boston locality pay area. Salary Table 2001-BOS (LEO-1) will cover LEOs in the Boston Consolidated Metropolitan Statistical Area (CMSA), while Salary Table 2001-BOS (LEO-2) will cover LEOs in the State of Rhode Island and the Attleboro-Fall River area of Bristol County, MA. (Note: This situation is analogous to the situation in the Los Angeles locality pay area, where a separate locality pay table will continue to apply to LEOs outside the Los Angeles-Riverside-Orange County, CA CMSA.)

Special Salary Rates for Information Technology (IT) Workers

On November 3, OPM announced the establishment of special salary rates for certain IT workers. The new IT special rates will cover all GS-334 (computer specialist), GS-854 (computer engineer), and GS-1550 (computer scientist) positions at grades GS-5/7/9/11/12 Governmentwide.

As explained in a previous memorandum (CPM 2000-14, November 3, 2000), OPM will establish six IT special salary rate schedules, each covering a group or "cluster" of geographic areas. One of the six IT special rate schedules (Table 999A) will apply to all geographic areas outside the 48 contiguous States, including Alaska, Hawaii, and all overseas areas, where employees do not receive GS locality payments. The remaining five IT special rate schedules (Tables 999B, 999C, 999D, 999E, and 999F) will apply to covered employees within the 48 contiguous States and Washington, DC. These five "clusters" are defined according to the boundaries of the 32 GS locality pay areas.

The draft 2001 special salary rate tables for IT workers are available on OPM's web site at opm.gov/oca/payrates/index.htm. For the purpose of within-grade increases and promotions, please note that unlike most other special rate tables, the dollar value varies for each within-grade increase at each grade of each IT special rate table. In addition, please note that special rates will be established for grade GS-13 on each special rate table except Table 999A. (These special rates are shown in italics.) The IT special rates at GS-13 are lower than the corresponding locality rates of pay in all 32 locality pay areas. Therefore, **covered employees will receive the higher locality pay rate in all cases**. The new IT special rates will become effective on the first day of the first applicable pay period beginning on or after January 1, 2001.

Documenting IT Special Rates

Agencies should process a pay adjustment action for each employee covered by the new IT special rate schedules. Agencies should document the establishment of special rates using nature of action code 894, Pay Adjustment. Agencies must use legal authority code QHP and legal authority "Reg 530.306(a)(1)" as the first legal authority, except for employees on pay retention. For employees on pay retention, agencies must use legal authority code QJP and legal authority "Reg 530.306(a)(2)." As the second legal authority on all actions, use ZLM and cite the OPM memorandum transmitting the official 2001 salary tables. Change the pay rate determinant to "6" to indicate a special rate. (In cases where the special rate applies to an employee on grade retention, the pay rate determinant changes to either "E" or "F.") In the remarks section, agencies should add remark P05 - "Special rate under 5 U.S.C. 5305." The rules for processing GS pay actions can be found in table 17-A of The Guide to Processing Personnel Actions. The Guide is available on OPM's web site at http://www.opm.gov/feddata/gppa/gppa17.pdf

Annual Review of Special Salary Rates

We have not yet completed the annual review of existing special salary rates. However, based on agency submissions received to date, we expect that virtually all special rate schedules will be adjusted by 2.7 percent in January 2001. We will issue additional guidance to agencies as soon as the annual review is completed.

Questions

For further information, please contact OPM's Pay and Leave Administration Division by email at payleave@opm.gov.

Attachments

Attachment 1

Attachment 2

TEXT OF A LETTER FROM THE PRESIDENT TO THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE PRESIDENT OF THE SENATE

November 30, 2000

Dear Mr. Speaker: (Dear Mr. President:)

I am transmitting an alternative plan for Federal employee locality-based comparability payments (locality pay) for 2001.

Federal employees are the key to effective Government performance. During the last 8 years, the number of Federal employees has declined while their responsibilities have stayed the same or increased. Nonetheless, recent surveys show the American public believes it is now getting better quality and more responsible service from our Federal employees. We need to provide them fair and equitable compensation to recognize their important role, and to enable the Federal Government to continue to attract and retain a high-quality workforce.

Under title 5, United States Code, most Federal civilian employees would receive a two-part pay raise in January 2001: (1) a 2.7 percent base salary raise linked to the part of the Employment Cost Index (ECI) that deals with changes in the wages and salaries of private industry workers; and (2) a locality pay raise, based on the Bureau of Labor Statistics' salary surveys of non-Federal employers in local pay areas, that would cost about 12.3 percent of payroll. Thus, on a cost-of-payroll basis, the total Federal employee pay increase for most employees would be about 15 percent in 2001.

For each part of the two-part pay increase, title 5 gives me the authority to implement an alternative pay adjustment plan if I view the pay adjustment that would otherwise take effect as inappropriate because of "national emergency or serious economic conditions affecting the general welfare." Over the past three decades, Presidents have used this or similar authority for most annual Federal pay raises.

In evaluating "an economic condition affecting the general welfare," the law directs me to consider such economic measures as the Index of Leading Economic Indicators, the Gross National Product, the unemployment rate, the budget deficit, the Consumer Price Index, the Producer Price Index, the Employment Cost Index, and the Implicit Price Deflator for Personal Consumption Expenditures.

Earlier this year, I decided that I would implement -- effective in January 2001 -- the full 2.7 percent base salary adjustment. As a result, it was not necessary to transmit an alternative pay plan by the legal deadline (August 31) for that portion of the pay raise.

In assessing the appropriate locality pay adjustment for 2001, I reviewed the indicators cited above along with other major economic indicators. As noted above, the full locality pay increases, when combined with the 2.7 percent base salary increase, would produce a total

Federal civilian payroll increase of about 15 percent for most employees. In fiscal year (FY) 2001 alone, this increase would add $9.8 billion above the cost of the 3.7 percent increase I proposed in the fiscal 2001 Budget.

A 15 percent increase in Federal pay would mark a fundamental change of our successful policy of fiscal discipline, and would invite serious economic risks -- in terms of the workings of the Nation's labor markets; inflation; the costs of maintaining Federal programs; and the impact of the Federal budget on the economy as a whole.

First, an across-the-board 15 percent increase in Federal pay scales would be disruptive to labor markets across the country. This increase would be three to four times the recent average annual changes in private-sector compensation, built into the base of the pay structure not just for 2001, but for subsequent years as well. With job markets already tight and private firms reporting great difficulties in attracting and retaining skilled employees, this increase in Federal salaries could pull prospective job seekers away from private employment opportunities.

Second, in the face of such a large Federal pay increase, private firms would almost certainly react by increasing their own wage offers. Thus, beyond the labor-market disruption of such a Federal pay increase, there would follow a serious risk of inflation; and that risk would far exceed the direct effects of the Federal pay raise taken in isolation. Pay rates economy-wide have already enticed a record percentage of the adult population into the labor force and paid employment. There are few unemployed or underemployed workers available for hire; if private firms need additional labor, they must raise their wage offers to attract workers from other firms. Such bidding wars for labor -- which constitutes roughly two-thirds of business costs in this economy -- have been at or near the core of all inflationary outbursts in our recent history. To date, intense competitive pressures have prevented private firms from allowing their wage offers to step out of line with productivity gains, and inflationary pressures have remained contained. However, a shock arising outside of the competitive labor market itself -- such as an administratively determined Federal pay increase -- could convince private business managers that they must increase their offers beyond the current norms. In the past to reverse accelerating inflation, the Nation paid an enormous toll through policies designed to slow the economy and reduce the pressure on prices. In numerous instances, the result was recession and sharp increases in unemployment. With labor markets as tight as they are we should not undertake a policy likely to shock the labor market.

Third, Federal program managers are already under considerable pressure to meet their budgets, while still providing quality service to the taxpayers. Increasing the Federal employment costs at such an extraordinary rate would render those budgets inadequate to provide the planned level of services. Appropria-tions for the coming fiscal year have already been legislated for much of the Federal Government, and all sides hope that spending bills for the remaining agencies will pass in the very near future. In particular, agencies that have the greatest responsibility for person-to-person service -- the Social Security Administration, the Internal Revenue Service, and the Veterans Affairs healthcare programs, to name just three -- could not be expected to bear double-digit pay increases without the most thorough review and adjustment of their budgets.

Finally, despite the current budget surpluses, the Federal Government continues to face substantial budgetary challenges.

When my Administration took office in January 1993, we faced the largest budget deficit in the Nation's history -- over $290 billion in fiscal year (FY) 1992. By the projections of the Office of Management and Budget (OMB), the Congressional Budget Office (CBO), and every other authority, the deficit would only get bigger. Furthermore, under both of these projections, the public debt, and the interest burden from that debt, were expected to be in a vicious upward cycle.

While we have pulled the budget back from this crisis, and in fact we have enjoyed the first budget surpluses since l969, adverse budgetary forces are just a few years away. The Social Security system will come under increasing pressure with the impending retirement of the large baby-boom generation. In addition, the aging of the population will increase costs for Medicare and Medicaid. If we become complacent because of the current budget surplus and increase spending now, the surplus could well be gone even before the baby-boom generation retires.

My Administration has put these budgetary challenges front and center. A 15 percent Federal pay increase, built into the Government's cost base for all succeeding years, would be a dangerous step away from budget discipline. The budgetary restraint that produced the current budget surpluses must be maintained if we are to keep the budget sound into the retirement years of the baby boom generation.

Therefore, I have determined that the total civilian raise of 3.7 percent that I proposed in my 2001 Budget remains appropriate. This raise matches the 3.7 percent basic pay increase that I proposed for military members in my 2001 Budget, and that was enacted in the FY 2001 Defense Authorization Act. Given the 2.7 percent base salary increase, the total increase of 3.7 percent allows an amount equal to 1.0 percent of payroll for increases in locality payments.

Accordingly, I have determined that:

> Under the authority of section 5304a of title 5, United States Code, locality-based comparability payments in the amounts set forth on the attached table shall become effective on the first day of the first applicable pay period beginning on or after January 1, 2001. When compared with the payments currently in effect, these comparability payments will increase the General Schedule payroll by about 1.0 percent.

Finally, the law requires that I include in this report an assessment of how my decisions will affect the Government's ability to recruit and retain well-qualified employees. I do not believe this will have any material impact on the quality of our workforce. If the needs arise, the Government can use many pay tools -- such as recruitment bonuses, retention allowances, and special salary rates -- to maintain the high-quality workforce that serves our Nation so very well.

Sincerely,

WILLIAM J. CLINTON

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Locality-Based Comparability Payments Under Alternative Plan

Comparability Payment

Pay Locality[1]	Effective January 2001
Atlanta MSA	8.66%
Boston CMSA	12.13%
Chicago CMSA	13.00%
Cincinnati CMSA	10.76%
Cleveland CMSA	9.17%
Columbus MSA	9.61%
Dallas CMSA	9.71%
Dayton MSA	8.60%
Denver CMSA	11.90%
Detroit CMSA	13.14%
Hartford MSA	12.65%
Houston CMSA	16.66%
Huntsville MSA	8.12%
Indianapolis MSA	7.89%
Kansas City MSA	8.32%
Los Angeles CMSA	14.37%
Miami CMSA	11.09%
Milwaukee CMSA	8.91%
Minneapolis MSA	10.30%
New York CMSA	13.62%
Orlando MSA	7.71%
Philadelphia CMSA	10.80%
Pittsburgh MSA	8.54%
Portland CMSA	10.32%
Richmond MSA	8.60%
Sacramento CMSA	10.73%
St. Louis MSA	8.00%
San Diego MSA	11.31%
San Francisco CMSA	16.98%
Seattle CMSA	10.45%
Washington CMSA	10.23%
Rest of United States	7.68%

NOTE: MSA means Metropolitan Statistical Area and CMSA means Consolidated Metropolitan Statistical Area, both as defined by the Office of Management and Budget (OMB) in OMB Bulletin 99-04, June 30, 1999.

[1] Pay localities as defined in 5 CFR 531.603.

Locality-Based Comparability Payments and Net Pay Increases in 2001 for General Schedule Employees

Locality Pay Area	Locality Rate 2001	Net Increase in 2001
Atlanta MSA	8.66%	3.65%
Boston CMSA	12.13%	4.01%
Chicago CMSA	13.00%	4.09%
Cincinnati CMSA	10.76%	3.86%
Cleveland CMSA	9.17%	3.76%
Columbus MSA	9.61%	3.70%
Dallas CMSA	9.71%	3.76%
Dayton MSA	8.60%	3.63%
Denver CMSA	11.90%	3.96%
Detroit CMSA	13.14%	4.08%
Hartford MSA3	12.65%	3.99%
Houston CMSA	16.66%	4.37%
Huntsville MSA	8.12%	3.56%
Indianapolis MSA	7.89%	3.56%
Kansas City MSA	8.32%	3.56%
Los Angeles CMSA3	14.37%	4.17%
Miami CMSA	11.09%	3.91%
Milwaukee CMSA	8.91%	3.73%
Minneapolis MSA	10.30%	3.82%
New York CMSA	13.62%	4.10%
Orlando MSA	7.71%	3.58%
Philadelphia CMSA	10.80%	3.87%

Locality Pay Area	Locality Rate 2001	Net Increase in 2001
Pittsburgh MSA	8.54%	3.59%
Portland CMSA	10.32%	3.89%
Richmond MSA	8.60%	3.65%
Sacramento CMSA	10.73%	3.85%
St. Louis MSA	8.00%	3.58%
San Diego MSA	11.31%	3.95%
San Francisco CMSA3	16.98%	4.46%
Seattle CMSA	10.45%	3.88%
Washington, DC CMSA3	10.23%	3.81%
Rest of United States	7.68%	3.57%

CMSA means Consolidated Metropolitan Statistical Area and MSA means Metropolitan Statistical Area, as defined by the Office of Management and Budget (OMB) in OMB Bulletin 99-04, June 30, 1999.